



## CITY OF CARLSBAD - AGENDA BILL

|       |     |                            |            |  |
|-------|-----|----------------------------|------------|--|
| AB#   |     | REPORT ON CITY INVESTMENTS | DEPT. HEAD |  |
| MTG.  |     | AS OF AUGUST 31, 2008      | CITY ATTY. |  |
| DEPT. | TRS |                            | CITY MGR.  |  |

### **RECOMMENDED ACTION:**

Accept and file report.

### **ITEM EXPLANATION:**

The City's Investment Policy requires the City Treasurer to report to the City Council on a monthly basis the status of the City's pooled investment portfolio. A quarterly report is also required for the investments of bond proceeds held separately. The City's pooled investment portfolio as of the month ended August 31, 2008 is summarized below.

| <b>Pooled Investment Portfolio (Cash and Securities)</b> |                      |                    |
|----------------------------------------------------------|----------------------|--------------------|
|                                                          | <b>Current Month</b> | <b>Prior Month</b> |
| Par Value                                                | 539,820,306          | 554,007,732        |
| Cost of Investments                                      | 544,287,548          | 558,328,026        |
| Amortized Cost (1)                                       | 543,397,023          | 557,687,310        |
| Market Value (2)                                         | 546,566,601          | 561,044,118        |

- (1) The cost of investments adjusted for amortized premiums and discounts.
- (2) The amount at which the investments could be sold. Source of market values is Union Bank of California's custodial report as of 8/31/08.

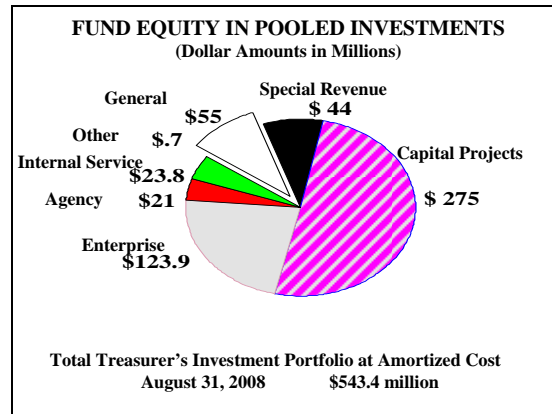
The decrease in the investment totals between July and August is due mainly to the purchase of land, \$3.9 million for the Robertson Ranch Park, \$1.9 million for affordable housing and \$5.6 million for debt service payments.

The equity portion of the various funds in the total portfolio is summarized in the graph on the next page. Fund balances are restricted for various purposes. See Exhibit 7 for a more detailed breakdown.

### ***FOR CITY CLERKS USE ONLY.***

|                        |                  |                          |                                   |                          |       |
|------------------------|------------------|--------------------------|-----------------------------------|--------------------------|-------|
| <b>COUNCIL ACTION:</b> | <b>APPROVED</b>  | <input type="checkbox"/> | <b>CONTINUED TO DATE SPECIFIC</b> | <input type="checkbox"/> | _____ |
|                        | <b>DENIED</b>    | <input type="checkbox"/> | <b>CONTINUED TO DATE UNKNOWN</b>  | <input type="checkbox"/> |       |
|                        | <b>CONTINUED</b> | <input type="checkbox"/> | <b>RETURNED TO STAFF</b>          | <input type="checkbox"/> |       |
|                        | <b>WITHDRAWN</b> | <input type="checkbox"/> | <b>OTHER – SEE MINUTES</b>        | <input type="checkbox"/> |       |
|                        | <b>AMENDED</b>   | <input type="checkbox"/> |                                   |                          |       |

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| Pooled Investment Interest Income |                    |                  |                      |
|-----------------------------------|--------------------|------------------|----------------------|
|                                   | Current Month FYTD | Prior Month FYTD | Current Month Income |
| Cash Income Fiscal Year-to-Date * | 4,854,978          | 1,995,192        | 2,859,786            |

\*The cash income received is adjusted for any accrued interest purchased.

| Pooled Investment Performance/M Measurement |                      |                           |                   |
|---------------------------------------------|----------------------|---------------------------|-------------------|
|                                             | Average Life (Years) | Average Yield To Maturity | Modified Duration |
| June 2008                                   | 2.05                 | 4.03%                     | 1.848             |
| July 2008                                   | 2.04                 | 4.00%                     | 1.858             |
| August 2008                                 | 2.12                 | 4.14%                     | 1.927             |

All pooled investments have been made in accordance with the City's Investment Policy adopted January 2, 1985 and last revised February 13, 2007. All investments were initially made in accordance with the City's Investment Policy. Events subsequent to the purchase might have resulted in some investments not being in compliance with the current policy. These events are typically a change in the City's Investment Policy, a change in the credit rating subsequent to a purchase, or a temporary reduction in total portfolio assets. See Exhibit 8 for details.

The pooled investment portfolio has the ability to meet the City's cash flow demands for the next six (6) months.

#### **EXHIBITS FOR POOLED INVESTMENTS:**

1. Investment Portfolio Breakdown By Amortized Cost, Market Value, Cash Income, and Average Yield
2. Investment Portfolio Breakdown Of Maturities
3. Yield Comparison Graph
4. Market Yield Curve
5. Cumulative Cash Income Graph

**CITY OF CARLSBAD INVESTMENT PORTFOLIO  
AS OF AUGUST 31, 2008**

***BREAKDOWN BY AMORTIZED COST, MARKET VALUE, CASH INCOME, AND AVERAGE YIELD BY CLASS***

| <u>Class</u>  | <u>AMORTIZED COST</u> |                      | <u>MARKET VALUE</u>  |                      | <u>Cash Income<br/>Year to Date</u> | <u>AVERAGE YIELD</u> |                    |
|---------------|-----------------------|----------------------|----------------------|----------------------|-------------------------------------|----------------------|--------------------|
|               | <u>Current Month</u>  | <u>Prior Month</u>   | <u>Current Month</u> | <u>Prior Month</u>   |                                     | <u>Current Month</u> | <u>Prior Month</u> |
| CD            | 33,000                | 33,000               | 33,000               | 33,000               | 105                                 | 1.88                 | 1.88               |
| FN            | 0                     | 0                    | 0                    | 0                    | 0                                   | 0.00                 | 0.00               |
| CP            | 0                     | 0                    | 0                    | 0                    | 0                                   | 0.00                 | 0.00               |
| TR            | 0                     | 0                    | 0                    | 0                    | 0                                   | 0.00                 | 0.00               |
| FA            | 399,589,747           | 398,275,252          | 402,356,963          | 401,436,792          | 3,202,257                           | 4.19                 | 4.06               |
| CN            | 90,659,970            | 90,687,327           | 91,062,331           | 90,882,594           | 1,195,214                           | 4.77                 | 4.77               |
| LAIF          | 50,201,589            | 65,286,924           | 50,201,589           | 65,286,924           | 453,107                             | 2.78                 | 2.79               |
| CUSTODY       | 250,000               | -                    | 250,000              | 0                    | 553                                 | 1.88                 | 1.91               |
| SWEEP         | 2,082,854             | 2,167,683            | 2,082,854            | 2,167,683            | 3,742                               | 0.88                 | 0.81               |
| BANK ACCT     | 579,863               | 1,237,125            | 579,863              | 1,237,125            | 0                                   | 0.88                 | 0.81               |
| <b>TOTALS</b> | <b>\$543,397,023</b>  | <b>\$557,687,310</b> | <b>\$546,566,601</b> | <b>\$561,044,118</b> | <b>\$4,854,978</b>                  | <b>4.14%</b>         | <b>4.00%</b>       |

CD - Certificate of Deposit  
FN - Federal Discount Notes  
CP - Corporate Paper

TR - US Treasury  
FA - Federal Agency  
CN - Corporate Notes

LAIF - Local Agency Investment Fund  
Custody - Investment Cash account  
SWEEP - General Fund Overnight Cash account  
Bank Account - General Fund Cash account

**CITY OF CARLSBAD INVESTMENT PORTFOLIO  
AS OF AUGUST 31, 2008**

***BREAKDOWN OF MATURITIES BY CLASSIFICATION AND LENGTH OF TIME***

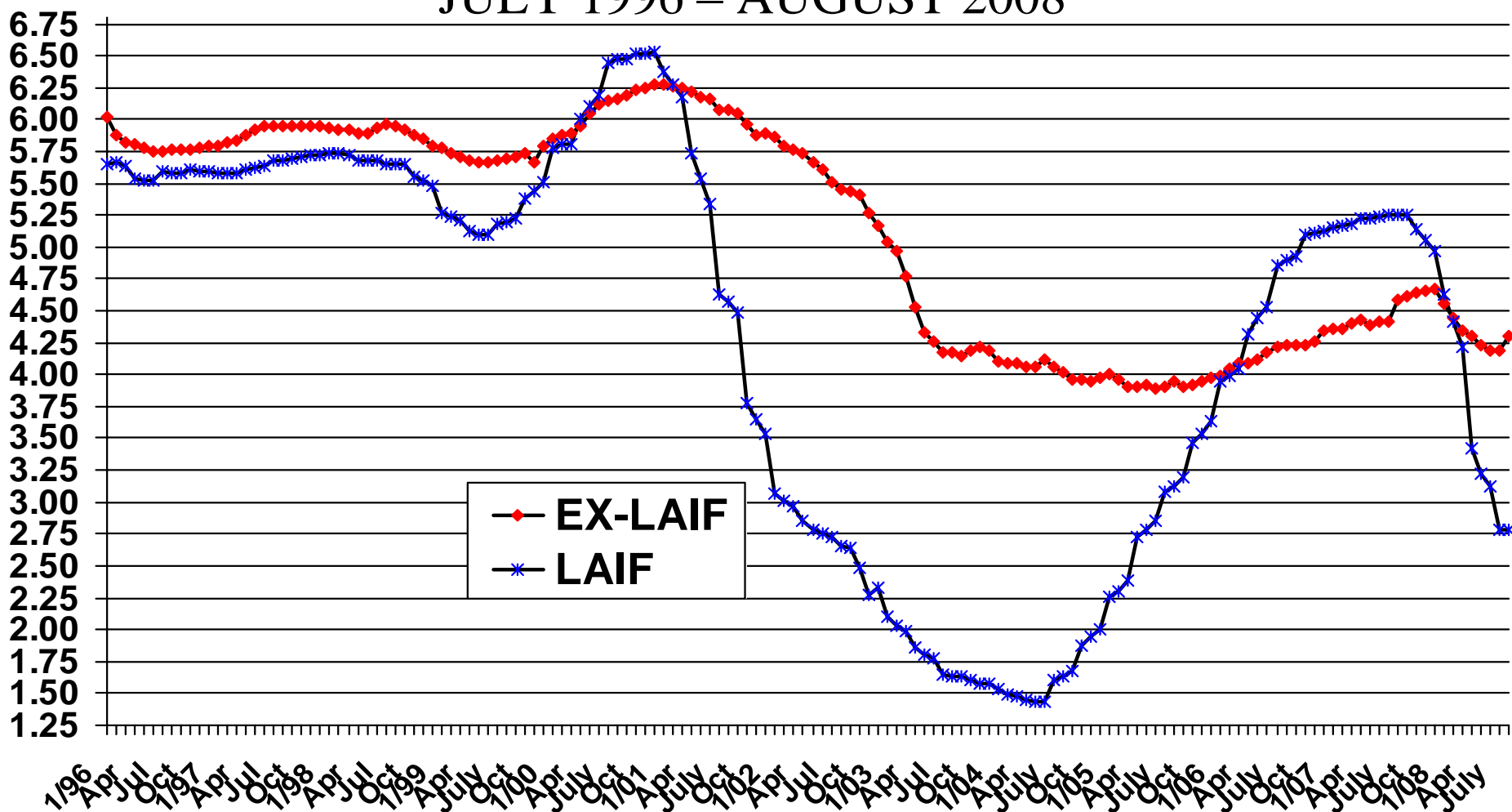
| <u>CLASS</u>          | <u>WITHIN 6 MONTHS</u> | <u>7 MONTHS TO 1 YEAR</u>  | <u>1 TO 5 YEARS</u> | <u>TOTAL</u>  | <u>% TOTAL</u> |
|-----------------------|------------------------|----------------------------|---------------------|---------------|----------------|
| CD                    | -                      | 33,000                     | 0                   | 33,000        | 0.0%           |
| FN                    | 3,372,139              | 0                          | 0                   | 3,372,139     | 0.6%           |
| CP                    | 0                      | 0                          | 0                   | 0             | 0.0%           |
| TR                    | 0                      | 0                          | 0                   | 0             | 0.0%           |
| FA                    | 20,296,024             | 66,444,461                 | 310,154,049         | 396,894,534   | 72.9%          |
| CN                    | 0                      | 7,171,222                  | 83,702,347          | 90,873,569    | 16.7% (2)      |
| LAIF                  | 50,201,589             | 0                          | 0                   | 50,201,589    | 9.2%           |
| CUSTODY               | 250,000                | 0                          | 0                   | 250,000       | 0.1%           |
| SWEEP                 | 2,082,854              | 0                          | 0                   | 2,082,854     | 0.4%           |
| BANK ACCT             | 579,863                | 0                          | 0                   | 579,863       | 0.1%           |
| <b>TOTALS</b>         | \$76,782,469 (1)       | \$73,648,683 (1)           | \$393,856,396       | \$544,287,548 | 100.0%         |
| % TOTALS              | 14.1%                  | 13.5%                      | 72.4%               | 100.0%        |                |
| Total within One Year |                        | \$150,431,152 (1)<br>27.6% |                     |               |                |

**POLICY:** (1) Not less than \$130,125,000 to mature within one year. (2/3rds of current year operating budget of \$195,180,000.00  
(2) Policy states that not more than 30% of portfolio is to be invested in corporate notes

# YIELD COMPARISON

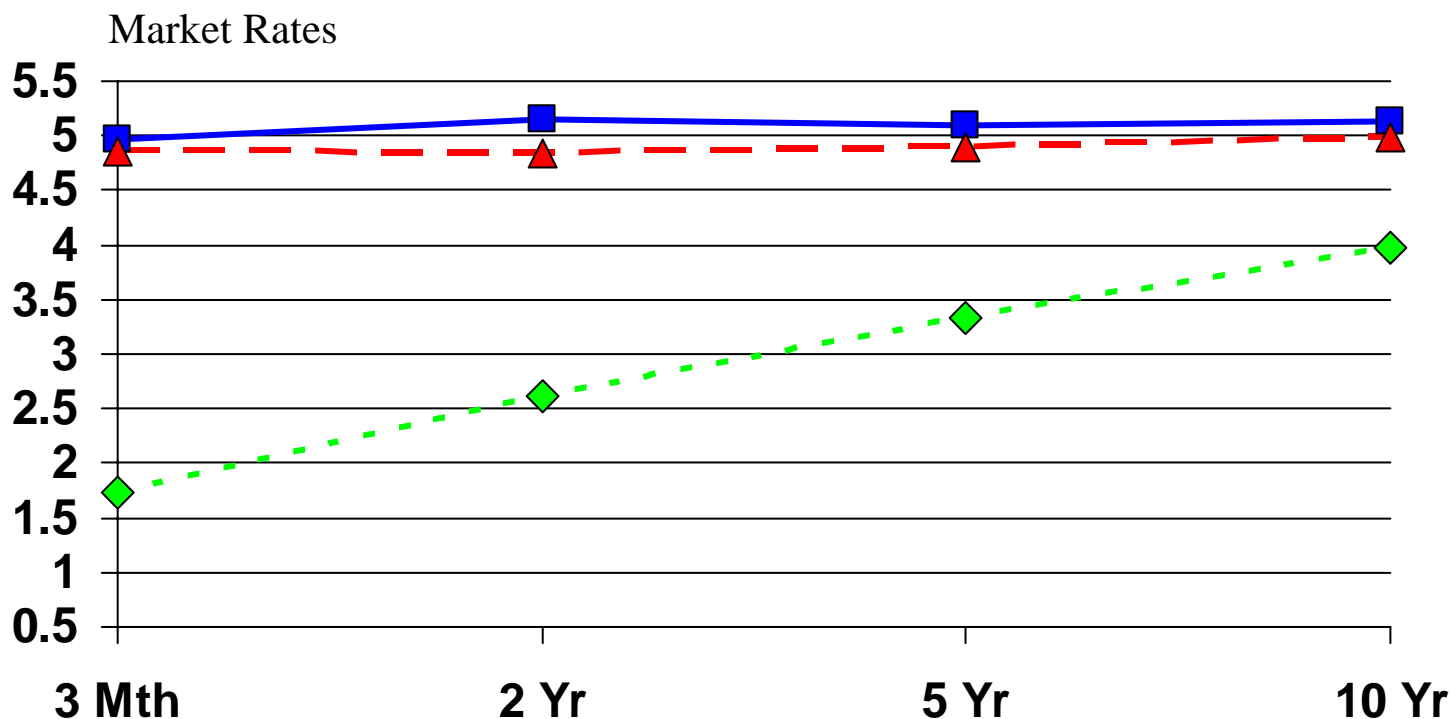
PORTFOLIO EX-LAIF VS. LAIF

JULY 1996 – AUGUST 2008



# MARKET YIELD CURVE

6/30/06, 6/30/07, 06/30/08



|                                        |                   |
|----------------------------------------|-------------------|
| <span style="color: blue;">—■—</span>  | <b>06/30/2006</b> |
| <span style="color: red;">-▲-</span>   | <b>06/30/2007</b> |
| <span style="color: green;">-◆-</span> | <b>06/30/2008</b> |

|            | 3 Mth | 2 Yr | 5 Yr | 10 Yr |
|------------|-------|------|------|-------|
| 06/30/2006 | 4.98  | 5.15 | 5.09 | 5.14  |
| 06/30/2007 | 4.86  | 4.84 | 4.89 | 4.99  |
| 06/30/2008 | 1.73  | 2.62 | 3.33 | 3.97  |

# Cumulative Cash Income

## FY08-09

(August 08 )

